

**Fulbright Economics Teaching Program
Masters in Public Policy
Academic Year 2014-2015
Spring Term**

**SYLLABUS
Development Policy**

Teaching Team

Co-Instructors:	James Riedel	(Email: jriedel@jhu.edu)
	Chau Van Thanh	(Email: thanhcv@fets.vnn.vn)
Guest Lecturer:	Tran Tien Khai	(Email: khaitt@fets.vnn.vn)
Tutor:	Ho Thi My Hanh	(Email: m5.HanhHTM@fets.edu.vn)
Interpreter:	Nguyen Quy Tam	(Email: quytam@fets.vnn.vn)

Office Hours

The instructors and tutor are available for consultation by appointment. Please email in advance to set up a time to meet.

Objective

The objective of the course is to familiarize students with the main themes of development economics and to discuss the policy implications for Vietnam and other countries of contemporary development theory. The course introduces a wide range of topics and also extends beyond economics narrowly defined to address issues relating to social policy and environmental sustainability. The course emphasizes the complexity of the development process and seeks to provide students with the analytical tools needed to make sense of economic development and social change. Our aim is to encourage students to think critically about the development process, and in doing so to shed some common misperceptions about economic development.

Course Description

The course consists of 24 lectures and five review classes. A new topic is introduced each week and typically covered in two lectures. Review classes will be held periodically to discuss written assignments and to help prepare students for midterm and final exams.

The main theme of the course is that development policy should be *evidence based*. All theoretical propositions and assumptions should be subjected to rigorous empirical analysis. Students will learn to formulate testable hypotheses and objectively assess the evidence before accepting or rejecting development theories. This is essential preparation for writing a master's thesis in the second year of the MPP program.

Readings

Required readings are listed for each lecture in the course outline below. Students are expected to come to the lecture having read the required reading. Supplemental or suggested readings (some in English and some in Vietnamese) may be read in conjunction with written

assignments or in preparation for examinations. These are often not translated into Vietnamese and will be made available to students in the library. Some are available for downloading at <https://sites.google.com/site/jrpincus/>.

The lectures will identify influential contributions to the development literature for each topic. Students who would like to arrive at a deeper understanding of the material are encouraged to read these important articles and books. Feel free to contact the lecturers for assistance if you are having trouble finding these key readings.

Main Textbook

Perkins, Dwight, Steven Radelet and David Lindauer, *Economics of Development* (Sixth Edition), New York: WW Norton and Company, 2006 (hereafter referred to as Perkins et al. 2006).

Useful Websites

Asian Development Bank: <http://www.adb.org/>

Center for Global Development: <http://www.cgdev.org/>

ELDIS: <http://www.eldis.org/>

IDEAs: <http://www.ideaswebsite.org/>

International Monetary Fund: <http://www.imf.org/>

National Bureau of Economic Research: <http://www.nber.org/>

Vietnamese language website of UNDP: <http://www.undp.org.vn/>

Vietnamese language website of the World Bank: <http://www.worldbank.org.vn/>

World Development Indicators: <http://data.worldbank.org/data-catalog/world-development-indicators>

Review Classes

Review classes will be held at 8:30 a.m. on the following days:

- February 21
- March 07
- **March 21**
- **April 18**
- May 16: Final-term Review

Review classes will provide an opportunity for students to discuss lectures, readings and written assignments with instructors. Review classes are mandatory and attendance will be taken.

Requirements

Students are required to attend class regularly, read the assigned readings before class, participate actively in class discussions and complete all course requirements. Participants are encouraged to meet with teaching team members to discuss any aspect of the course.

Student Assessment

To complete the course, students are required to submit three short memos, one longer policy paper, and to take one midterm and one final exam. *Active class participation accounts*

for one fifth of the total grade. Exams will be based on information presented in all lectures, required readings, and group discussions. No materials or books are allowed in exam rooms.

Short memos: Students will answer open questions that are designed to deepen their knowledge of the issues and topics covered in class. Participants must read the required readings and draw from the suggested readings and material from the library and the internet as needed.

Policy papers: Each paper will consist of no more than five typed pages of A4 paper. The policy paper is a group assignment prepared by pre-selected groups of three students. The group will decide on a topic relating to the course lectures and submit a proposal for approval by the co-instructors. The paper will take the form of an official report, analyzing the issue in question and putting forth practical and coherent policy recommendations. *The two best papers* will be posted on the program's website.

Grading structure:

Short memos	20%
Class Participation	20%
Policy paper	20%
Midterm exam	20%
Final exam	20%

<i>Assignments</i>	<i>Distribution date</i>	<i>Due date</i>	<i>Exam Date</i>
Memo 1	February-11	February-25	
Memo 2	February-25	March-11	
Memo 3	April-8	April-29	
<i>Midterm exam</i>			March-31
Policy paper (proposal)	February-11	March-18	
Policy paper (outline)		April-15	
Policy paper (draft)		May-6	
Policy paper (final)		May-16	
<i>Final Exam</i>			May-26

Class Schedule

WEEK 1: INTRODUCTION (February 10-14, 2014)

Lecture 1: Patterns of Development and Issues of Development Policy

Chau Van Thanh

Required Readings:

Perkins et al. 2006. Chapter 1.

Dani Rodrik and Mark R. Rosenzweig (2009) *Development Policy and Development Economics: An Introduction*.

Suggested Readings:

Michael P. Todaro and Stephen C. Smith, *Economic Development*, Chapter 1: Economics, Institutions, and Development: A Global Perspective (10th Edition), London: Pearson Education, 2009.

Lecture 2: Measuring Economic Growth and Development **Chau Van Thanh**

Required Readings:

Perkins et al. 2006. Chapter 2.

Suggested Readings:

Human Development Report 2010, *The Real Wealth of Nations: Pathways to Human Development*. 20th Anniversary Edition. Available online in English at <http://hdr.undp.org/en/>. A Vietnamese language summary is available at http://hdr.undp.org/en/media/HDR_2010_VT_Summary.pdf.

WEEK 2: GROWTH THEORY AND IMPIRICS (February 17-21, 2014)

Lecture 3: Growth Theory: Harrod-Domar, Solow, Endogenous, Technology Catch-up **James Riedel**

Required Readings:

Perkins et al. 2006. Chapter 4, pages. 103-135

Suggested Readings:

Easterly, William, "The Ghost of Financing Gap: How the Harrod-Domar Model Still Haunts Development Economics," *Journal of Development Economics*, 60 (2), December, 1999, 423-438.

Lucas, Robert E, Jr., "Trade and the Diffusion of the Industrial Revolution," *American Economic Journal: Macroeconomics*, 2009, 1/1, 1-25.

Lecture 4: Growth Accounting **James Riedel**

Required Readings:

Perkins et al. 2006. Chapter 3, pages 64-74

Riedel, James, et. al., *How China Grows: Investment, Finance, and Reform* (Princeton University Press, 2007), Chapter 2.

Suggested Readings:

Young, Alwyn, "The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience," *Quarterly Journal of Economics*, Volume 110 (3), August 1995, 641-680.

Friday: Review – Chau Van Thanh

WEEK 3: GROWTH THEORY AND EMPIRICS, con't (February 24-28, 2014)

Lecture 5: Growth Empirics: Cross-Country Evidence **James Riedel**

Required Readings:

Perkins et al. 2006, Chapter 3, pages 90-102

Mankiw, N. G., D. Romer, and D. Weil. "A Contribution to the Empirics of Economic Growth." *Quarterly Journal of Economics* 107 (1992): 401-437.

Suggested Readings:

Jones, Charles and Paul Romer, "The New Kaldor Facts: Ideas, Institutions, Population and Human Capital," *American Economic Journal: Macroeconomics* 2010, 2:1 224-245

Lecture 6: Geography and Institutions
James Riedel

Required Readings:

Acemogul, Daron and James Robinson, "Why Nations Fail" *Milken Institute Review*, Third Quarter

Suggested Readings:

Acemoglu, Daron, Simon Johnson and James Robinson, "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution," *Quarterly Journal of Economics*, 117, no. 4 (November 2002) 1231-1294.

Diamond, Jared, *Guns, Germs and Steel: The Fates of Human Societies* (WW Norton, 1999)

WEEK 4: GROWTH AND POVERTY (March 03-07, 2014)

Lecture 7: Is Growth Good for Poverty?

Chau Van Thanh

Required Readings:

Wuyts, Marc (2011) "Growth, Employment and the Productivity-Wage Gap: Revisiting the Growth-Poverty Nexus," *Development and Change*, 42:1, 437-447.

Suggested Readings:

Dollar, David and Aart Kraay (2002) "Growth IS Good for the Poor," http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2001/05/11/000094946_01042806383524/Rendered/PDF/multi0page.pdf

Foster, James and Miguel Szekely (2008) "Is Income Growth Good for the Poor? Tracking Low Incomes Using General Means," *International Economic Review*, 49:4, p. 1143-1172.

Lecture 8: Escaping Poverty

Chau Van Thanh

Required Readings:

Krishna, Anirudh (2004) "Escaping Poverty and Becoming Poor: Who Gains, Who Loses and Why?" *World Development*, 32:1, p. 121-136.

Suggested Readings:

Cecchini, Simone and Andras Uthoff (2008) "Poverty and Employment in Latin America, 1990-2005," *CEPAL Review*, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1247342.

Friday: Review

WEEK 5: GROWTH AND INEQUALITY (March 10-14, 2014)

Lecture 9: Growth and Distribution

Chau Van Thanh

Required Readings:

Bowman, Kirk (1997) "Should the Kuznets Curve Be Relied on to Produce Equalizing Growth? Evidence from Post-1950 Development," *World Development*, 25:1, pp. 127-143.

Suggested Readings:

Miguel Szekely and Marianne Hilgert (1999) "What's Behind the Inequality We Measure: An Investigation Using Latin American Data," Inter-American Development Bank, Research Department Working Paper No. 409, (December),

<http://www.iadb.org/res/publications/pubfiles/pubWP-409.pdf>

Lecture 10: Does Inequality Matter for Development?

Chau Van Thanh

Required Readings:

Wade, Robert (2011) "Global Trends in Income Inequality: What is Happening and Should We Worry?" *Challenge*, September-October, p. 54-75.

Suggested Readings:

Birdsall, Nancy (2010) "The (Indispensable) Middle Class in Developing Countries," in Ravi Kanbur and Michael Spence, eds., *Equity and Growth in a Globalizing World*, World Bank.

Asian Development Bank (2012) *Asian Development Outlook: Confronting Rising Inequality in Asia*, <http://www.adb.org/sites/default/files/pub/2012/ado2012.pdf>, Chapter 2.

WEEK 6: INDUSTRIALIZATION STRATEGIES (March 17-21, 2014)

Lecture 11: Lewis Model of a Surplus Labor Economy

James Riedel

Required Readings:

Perkins, et al. 2006, Chapter 4, pages 136-147

Suggested Reading:

Lewis, W. Arthur (1954) "Economic Development with Unlimited Supplies of Labor," *The Manchester School*, 22:2, 139-191,

Lecture 12: Import-substitution verses Export-oriented industrialization

James Riedel

Required Readings:

Perkins, et al. 2006, Chaptes 18 and 19

Suggested Readings:

Kravis, Irving, "Trade as the Handmaiden of Growth: Similarities between the Nineteenth and Twentieth Centuries," *Economic Journal*, 80, Dec. 1970, 850-872.

Friday – Review

WEEK 7: INDUSTRIALIZATION STRATEGY, con't. (March 24-28, 2014)

Lecture 13: Current Issues and Debates **James Riedel**

Required Readings:

Baldwin, Richard, "Global Supply Chains: Why they Emerged, Why They Matter and Where They are Going," Fung Global Institute, Working Paper, 2012

Pham, Thi Thu Tra and James Riedel, "An empirical assessment of comparative advantage dynamics"

Suggested Readings

Hausmann, Ricardo, Jason Hwang, and Dani Rodrik, "What You Export Matters," *Journal of Economic Growth*, 2007

Lecture 14: Vietnam Perspective **James Riedel**

CIEM, *Vietnam Competitiveness Report 2010*

Riedel, James, "On the National Competitiveness of Vietnam" 2011

Pham, Thi Thu Tra, "Should supporting industries be supported?" *Vietnam Economic Management Review*, Special Issue "Promoting Industrial Cluster Development in Vietnam".

WEEK 8: Midterm Exam

Midterm Examination March 31st, 2014

WEEK 9: EDUCATION AND HEALTH (April 7-11, 2014)

Lecture 15: Education and Development **Chau Van Thanh**

Required Readings:

Abhijit Banerjee and Esther Duflo (2011), *Poor Economics, A Radical Rethinking of the Way to Fight Global Poverty*, Public Affairs. Chapter 4: "Top of the Class."

Suggested Readings:

Richard Wilkinson and Kate Pickett (2010), *The Spirit Level, Why Equality is Better for Everyone*, Chapter 8, "Education Performance," Penguin Books

Paul Glewwe and Michael Kremer (2006), "Schools, Teachers, and Education Outcomes in Developing Countries,"

http://www.hks.harvard.edu/var/ezp_site/storage/fckeditor/file/pdfs/centers-programs/centers/cid/publications/faculty/wp/122.pdf.

Regional Development Field Trip, April 10-11, 2014

WEEK 10: RURAL TRANSFORMATION (April 14-18, 2014)

Lecture 16: Health Policies

Chau Van Thanh

Required Readings:

Abhijit Banerjee and Esther Duflo (2011), *Poor Economics, A Radical Rethinking of the Way to Fight Global Poverty*, Public Affairs. Chapter 3: “Low-hanging fruit for better (global) health.”

Suggested

Eddy van Doorslaer, *et al.* (2006) “Effect of Payments for Health Care on Poverty Estimates in 11 Countries in Asia: An Analysis of Household Survey Data, *Lancet*, 368, 1357-64.

Readings:

Hsiao *et al.* (2007), “Social Health Insurance for Developing Nations,” *WBI Development Studies*, The World Bank, Washington, D.C. http://harvardschoolofpublichealth.com/health-care-financing/files/hsiao_and_shaw_2007_-_shi_for_developing_nations.pdf.

Lecture 17: Role of Agriculture

Guest Lecture - Tran Tien Khai

Required Readings:

Bruce F. Johnston and John W. Mellor (1961) “The Role of Agriculture in Economic Development,” *American Economic Review*, 51:4, p. 566-593.

Suggested Readings:

Massoud Karshenas (2001) “Agriculture and Economic Development in Sub-Saharan Africa and Asia,” *Cambridge Journal of Economics*, 25, 315-342.

Gerdien Meijerink and Pim Roza (2007) “The role of agriculture in economic development” Markets, Chains and Sustainable Development Strategy and Policy Paper, no. 5. Stichting DLO: Wageningen. Available at: <http://www.boci.wur.nl/UK/Publications/>

Lecture 18: Role of the State in Rural Development

Guest Lecture - Tran Tien Khai

Required Readings:

Timmer, Peter C (1999) “The Role of the State in Agricultural Development,” in C. Peter Timmer (ed.). *Agriculture and the State*. Ithaca, NY: Cornell University Press.

Suggested Readings:

Colin MacAndrews, Alex Brillantes, and Ammar Siamwalla (2001) “[Devolution and Decentralization](#)” in [Ammar Siamwalla](#) (ed.), *The Evolving Roles of the State, Private, and Local Actors in Rural Asia, Study of Rural Asia: Volume 5*, Oxford University Press.

Dorward, Andrew, Jonathann Kydd, Jamie Morrisison and Ian Urey (2004) “A Policy Agenda for Pro – Poor Agricultural Growth.” *World Development*, 32:1, 73 – 89.

WEEK 11: RURAL TRANSFORMATION (April 21- 25, 2014)

Lecture 19: Land Tenure and Rural Development

Guest Lecture - Tran Tien Khai

Required Readings

Deininger, Klaus (2003) "Executive Summary." In Klaus Deininger (ed.). *Land Policies for Growth and Poverty Reduction*, World Bank.

Suggested Readings

Quan, Julian (1998) "Land Tenure and Sustainable Rural Livelihoods," in Diana Carney, ed., *Sustainable Rural Livelihoods: What Contribution Can We Make?* UK: Department for International Development Press.

Feder, Gershon and David Feeny (1991) "Land Tenure and Property Rights: Theory and Implications for Development Policy," *The World Bank Economic Review*, 5:1, 135 – 153.

Feder, Gershon and Akihiko Nishio (1999) "The Benefits of Land Registration and Titling: Economic and Social Perspectives," *Land Use Policy*, 15:1, 25-43.

Hue Le (2008) "Economic Reforms and Mangrove Forests in Central Vietnam," *Society & Natural Resources*, 21:2, 106-119.

Quy-Toan Do and Lakshmi Iyer (2008) "Land Titling and Rural Transition in Vietnam," *Economic Development and Cultural Change*, 56:3, 531-579.

Klaus Deininger, Clarissa Augustinus, Stig Enemark and Paul Munro-Faure (2010) "Innovation in land rights recognition, administration and governance". *Joint Organizational Discussion Paper—Issue 2*, The World Bank, GLTN, FIG and FAO

Wednesday – Review – Tran Tien Khai

WEEK 12: NATURAL RESOURCES AND DEVELOPMENT (April 28-May 2, 2014)

Lecture 20: Sustainable Development

Chau Van Thanh

Required Readings:

Perkins et al. 2006. Chapter 20

Suggested Readings:

Howarth, Richard B. (2007) "Towards an operational sustainability criterion," *Ecological Economics*, 63, pp. 656–663.

View Scientific American's interactive web article "How Much is Left? The Limits of Earth's Resources," <http://www.scientificamerican.com/article.cfm?id=interactive-how-much-is-left>.

WEEK 13: FINANCING DEVELOPMENT (May 05-09, 2014)

Lecture 21: Natural Resources: Blessing or Curse?

Chau Van Thanh

Required Readings:

Wright, Gavin and Jesse Czelusta (2004) "The Myth of the Resource Curse," *Challenge*, 47:2, 6-38.

Suggested Readings:

Van der Ploeg, Frederick (2011) "Natural Resources: Curse or Blessing?" *Journal of Economic Literature*, XLIX(2): 366-420.

Andrew Williams (2011) "Shining a Light on the Resource Curse: An Empirical Analysis of the Relationship Between Natural Resources, Transparency and Economic Growth," *World Development*, 39:4, 490-505.

Lecture 22: Domestic Saving and Financial Institutions **James Riedel**

Required Readings:

Perkins et al. 2006 Chapter 13

Suggested Readings:

Levine, Ross, "Finance and Growth: Theory, Evidence and Mechanisms," March 2003.

Riedel, James, et. al., *How China Grows: Investment, Finance, and Reform* (Princeton University Press, 2007), Chapter 4.

WEEK 14: MACROECONOMIC MANAGEMENT (May 12-16, 2014)

Lecture 23: Foreign Investment and Foreign Aid **James Riedel**

Required Readings:

Perkins et al. 2006 Chapter 14

Suggested Readings:

Burnside, C. and D. Dollar, "Aid, Policies and Growth," *American Economic Review* 90 (2000) 847-68 2000.

Rajan, R.G. and A Subramanian.. "What Undermines Aid's Impact on Growth?" IMF Working Paper, WP/05/126, 2005.

Obstfeld, Maurice. 2008. "International finance and growth in developing countries: What have we learned." Commission on Growth and Development, Working Paper No. 34.

Lecture 24: Stabilization Policies in Vietnam **James Riedel**

Required Readings:

Pham, Thi Thu Tra and James Riedel, "Expectations and the Cost of Disinflation in Vietnam," *Journal of Asian Pacific Economy* (Routledge), 2013

Pham, Thi Thu Tra and James Riedel, "On the Conduct of Monetary Policy in Vietnam," *Asia Pacific Economic Literature* (Blackwell), 2012

Friday: Final Review – Chau Van Thanh

Week 16: FINAL EXAM

Final Examination May 26, 2014